

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY TO)
REVISE THE UTILITY FACILITY RELOCATION)
CHARGE ("UFRC") RATE TO RECOVER COSTS)
ASSOCIATED WITH THE RELOCATION OF)
ELECTRIC UTILITY FACILITIES PURSUANT) PSC DOCKET NO. 16-1083
TO 26 DEL. C. § 315)
(FILED NOVEMBER 29, 2016))
(AMENDED DECEMBER 6, 2016))

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY TO REVISE)
THE UTILITY FACILITY RELOCATION)
CHARGE ("UFRC") RATE TO RECOVER COSTS) PSC DOCKET NO. 17-0401
INCURRED WITH THE RELOCATION OF ELECTRIC)
UTILITY FACILITIES PURSUANT TO)
26 DEL. C. § 315 (FILED MAY 31, 2017))

ORDER NO. 9370

AND NOW, this 16th day of April, 2019, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, under the provisions of 26 Del. C. § 315¹, electric and natural gas utilities may calculate and collect a "Utility Facility Relocation Charge" ("UFRC Rate"), allowing it to begin recovering depreciation expenses and a return on capital invested in "eligible utility facility relocations" put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular electric utility's UFRC Rate, once initiated, may thereafter be adjusted on

¹ Although Senate Bill 80 amended the UFRC, it still allowed the relocation of existing distribution facilities as a result of governmental actions that were not reimbursed. This proceeding is for the review, audit and annual reconciliation for electric UFRC rates put into effect in 2017.

a semi-annual basis to reflect eligible relocations put into service within the preceding six months. See 26 Del. C. §§ 315(c) and 314(b)-(d);² and

WHEREAS, on November 29, 2016, Delmarva Power & Light Company ("Delmarva" or "Company") filed an application in Docket No. 16-1083 to revise its UFRC Rate based on additional relocations placed into service between May 1 and October 30, 2016, to 0.05% effective January 1, 2017 due to additions of Net Utility Plant of \$420,637.86 and a Semi-Annual Depreciation expense of (\$207.18); and

WHEREAS, on December 20, 2016, the Commission adopted Order No. 9009, which opened Docket No. 16-1083 and approved Delmarva's application to revise its UFRC rate to 0.05% effective January 1, 2017, subject to the annual reconciliation and audit and final approval. The UFRC rate was based on total Net Utility Plant of \$1,031,870.58 and a Semi-Annual Depreciation expense of \$4,058.03; and

WHEREAS, on May 31, 2017, Delmarva filed an application in Docket No. 17-0401 to revise the UFRC for additional electric facility locations that were placed into service between November 1, 2016 and April 30, 2017, based on Net Utility Plant Additions of \$530,245.13 and a Semi-Annual Depreciation expense of \$2,686.53; and

WHEREAS, on June 20, 2017, in Order No. 9078, the Commission allowed the UFRC rate of 0.02% to go into effect on July 1, 2017,

²The Commission explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

subject to the annual reconciliation and audit and final approval for the 12-month period ending December 31, 2017. This rate was based on total Net Utility Plant of \$1,562,115.71 and a total Semi-Annual Depreciation expense of \$6,744.56; and

WHEREAS, as per Order No. 9108, in Docket No. 17-0977, the Commission approved interim base electric distribution rates to go into effect on or after October 16, 2017, and therefore the UFRC rate was reset to 0.00%; and

WHEREAS, on February 7, 2018, Staff sent a letter to the companies utilizing the UFRC, notifying them of a potential error in their calculation of their pre-tax rate of return; and

WHEREAS, during the audit and reconciliation of Docket Nos. 16-1083 and 17-0401, Delmarva submitted schedules showing adjustments made due to the correction to the pre-tax rate of return utilized in the UFRC Rate calculation. These adjustments lowered the semi-annual UFRC revenue requirement; and

WHEREAS, in August 2018, Staff began conducting a review and audit of Delmarva's UFRC components and calculations contained in Docket Nos. 16-1083 and 17-0401; and

WHEREAS, on September 4, 2018, Staff began receiving the requested information in Docket Nos. 16-0183 and 17-0401 in order to proceed with the audit and reconciliation; and

WHEREAS, Staff reviewed customer bills by period and service classification and Staff determined that the UFRC rate was applied incorrectly on bills during the period January 1-June 30, 2017; and

WHEREAS, Staff requested the Company to provide copies of letters from DelDOT requiring the relocation of electric utilities for all of the projects listed on Form 4, Schedule 2 Projects Placed in Service and/or Retired) as well as information on each project, the reimbursement letters for each project from DelDOT or other government entities, i.e., the City of Wilmington, and revenues for each six month period derived from the UFRC rate, among other information; and

WHEREAS, the rates for the electric UFRC needed to be recalculated for the gross up since only the equity portion of capital investments are to be grossed up to a pre-tax basis in order to reflect the income tax expenses associated with the allowable return; and

WHEREAS, the plant additions were traced by project and were reviewed to ensure they met the statutory requirements; and

WHEREAS, Staff did not find any substantive discrepancies in the facility relocations that were included in the Net Utility Plant additions; and

WHEREAS, Staff also reviewed the Semi-Annual Depreciation Expense and determined that the depreciation rates used by the Company matched the respective Commission approved rates; and

WHEREAS, after many rounds of discovery, the Company and Staff agreed that for Docket No. 16-1083, the adjusted semi-annual revenue requirement for the period January-June, 2017 was

determined to be \$82,222.59³ and the Company collected \$73,707.35 in electric UFRC revenues, which resulted in an under-collection of \$8,515.24; and

WHEREAS, Staff and the Company agreed that for Docket No. 17-0401, the adjusted semi-annual revenue requirement for the period July, 2017-October 15, 2017 was a credit of \$4,324.04 and the Company collected \$15,559.61 in electric UFRC revenues which resulted in an over-collection of \$19,883.65; and

WHEREAS, the reconciliation amount of the electric UFRC revenues for the period January 1,-December 31, 2017 resulted in \$11,368.42 over-collection plus interest in the amount of \$1,013.36 for a total of \$12,381.78 which will be included in the July, 2019 Distribution System Improvement Charge; and

WHEREAS, Staff respectfully recommends that Docket Nos. 16-1083 and 17-0401 be closed; and

WHEREAS, Staff additionally reports that it has shared its findings with Delmarva and the Delaware Division of the Public Advocate;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. § 315, the Commission hereby approves Delmarva's 2017 UFRC Rate of 0.05% (effective January 1, 2017 through June 30, 2017) as previously allowed to go into effect in Order No. 9009 (December 20, 2016) and Delmarva's

³ The total revenue requirement for the period January 1-June 30, 2017 includes the revised revenue requirement of \$38,270.04 set in Docket No. 16-0671, Order No. 9261, and the additional revenue requirement in Docket No. 16-1083 of \$43,952.55 which total \$82,222.59.

2017 UFRC Rate of 0.02% (effective July 1, 2017 through December 31, 2017) as previously allowed to go into effect in Order No. 9108 (June 20, 2017).

2. The amount of \$12,381.78, representing the over-collection plus interest, will be included in Delmarva's next Distribution System Improvement Charge Rate application.


3. Nothing in this Order shall preclude the examination and challenge of Delmarva's claims in any base rate proceeding.


4. The annual audit of the filings made in PSC Docket Nos. 16-1083 and 17-0401 are concluded, and these dockets are hereby closed.


5. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:



Chairman

Commissioner

Commissioner

Commissioner

K. F. Drexler

Commissioner

ATTEST:

Donna V. Schubert
Secretary

